



# Report on the NFAC Discussion of Freight Reauthorization Proposals

## Overview

On July 16, 2014, members of the National Freight Advisory Committee (NFAC) were asked to provide feedback on the various long-term surface transportation proposals released by the Administration and this Congress. The NFAC, established to provide advice and recommendations to the Secretary of Transportation on matters related to freight transportation in the United States, broke into six discussion groups and were provided a side-by-side comparison of various legislative proposals and a set of 10 questions, designed to help assess those proposals (see appendix for these materials.) In reporting back to the full committee, discussion groups were to answer whether these were the right questions concerning freight policy in reauthorization and whether the questions had been answered for the bills that were released thus far. Members of the public were invited to listen in and provided an opportunity for public comment.

The groups generally attempted to focus on broad principles for desired outcomes of freight program legislation. Acting Chairman Mort Downey stated to the Committee that the discussion would highlight the Committee's breadth of thoughts and would not attempt to reach a consensus opinion. Nevertheless, there was a remarkable degree of agreement among the groups and their thoughts have been organized here into major themes that were often repeated in the reporting-out session following the small group discussions.

Discussion groups expressed similar core values relating to federal responsibility for safety and environmental sustainability as they reported back to the full committee. Every group agreed there is a federal role in promoting and facilitating freight transportation, although there were some differences in how that role should play out. Groups also agreed that addressing freight movement needs must take a multimodal approach. Additionally, there was a common theme that targeted investment and dedicated funding were important elements of any freight proposal. Finally, issues of planning and coordination and workforce development were also significant themes brought up by discussion groups.

## Core Values

Members had a wide range of perspectives on the federal role in administering programs, but there was general agreement that states need both predictability and flexibility in using federal funds. Additionally, there was recognition that consideration of safety and environmental issues is critical for improving commerce and mobility. Environmental sustainability, safety and border issues are key driving forces that need to be explicitly discussed in reauthorization. There was a suggestion that there could be benefits to the establishment of common safety goals for all modes and throughout supply chains and the Department of Transportation or the Surface Transportation Board could play an instrumental role in collecting consistent safety data across all freight modes.

## **Federal Role**

The federal government has a role in developing a national vision for transportation and coordinating the actions of stakeholders to achieve that vision. The federal role in freight policy should focus on promoting and facilitating freight with a goal of increasing system efficiency and accommodating future growth. This requires crafting a framework and setting standards. Performance should be measured by our ability to move goods safely and efficiently, which includes considering economic and environmental impacts. The federal government should play a large role in deciding how money is spent; efficiency in spending is a primary concern. Also, the federal program should help develop technology and support a freight research program with encouragement for good data and good planning.

## **Multimodal Needs**

There was strong agreement among the groups that a freight program should not be highway-only, nor should it be overly prescriptive. Investment in all freight project types (including first-and-last mile, short-line rehabilitation, on-dock rail, etc. in addition to the line-haul capacity elements.) is important for improving mobility. The Department should consider using a revised, multimodal Primary Freight Network map to help identify critical projects. Eligible uses should be broad to target connectivity as well as congestion.

## **Planning & Coordination**

It is critical for the federal government to establish a national freight program and plan that outlines funding criteria and has stakeholder buy-in throughout the development process. The program should be flexible with alignment across federal and state plans. It should also coordinate with other stakeholders involved in national and international trade, such as the Department of Commerce. Metropolitan areas should be highlighted given their important role in the nation's economy. The federal government should encourage coordination among states and ensure economic efficiency is built into decision-making. The strengths and weaknesses of various approaches used previously should be considered to help inform future funding models and strategies. There was support for the idea of incentives among several of the groups. Money was raised as the obvious form of incentive, but there might be others. In the past, money has been used as an effective incentive for states and regions to follow a national plan and safety goals. If there is to be an incentive funding approach, such as in GROW AMERICA's Tier II funding levels tied to multi-state planning, it is important to consider that multistate collaboration may make more sense in geographically smaller states than it does in large states. Goals of national importance could also be incorporated into a tiered incentive approach.

## **Targeted Investment**

At the outset, it was recognized that states generally prefer formula-based funding over discretionary grants, so that project planning can be based on guaranteed funding levels. However, among all the groups, there was less enthusiasm for formula funding, preferring instead programs that are oriented around performance and performance metrics, so that funding goes to the highest-priority projects with the highest return on investment. Projects intended to relieve chokepoints within the system should be prioritized. Specific examples of targeted freight investment that must be supported include dredging activities, key intermodal centers, highway infrastructure, first-and-last mile, air cargo facility connectors, and grade separations. "Soft" infrastructure, such as CPB staffing, is important, too.

Federal investment should leverage existing private investment and, given limited funding levels, it is important to conduct a needs assessment and to fund those projects with long-term benefits through a discretionary program. Such a program can encourage deeper analysis, including cost-benefit analysis and other objective tests of project value, and bring new players to the table. The discretionary grant program proposed in GROW AMERICA was commended as a model for identifying and funding projects that are nationally significant. The Transportation Investment Generating Economic Recovery (TIGER) program is an example of a successful discretionary grant program that has addressed freight needs. Discretionary funding programs have not always worked well in the past, but programs like TIGER illustrated that they can be very successful. Given the nature of freight projects, credit support programs like TIFIA and RIFF can be useful tools if they are managed effectively.

## **Sufficient Dedicated Funding Source**

Identification of a new funding source is essential. It is appropriate to include the HTF as one element in a broader freight funding program, but other sources of money for non-highway investment are needed. The conflict between formula and discretionary funding might be alleviated if more funding overall was available. The proposed \$10 billion funding level over four years in the GROW AMERICA Act is only a down payment and more funding should be dedicated to freight. The Committee stated Rep. Hahn's proposal for using customs fees is worth further exploration.

## **Institutional Reforms**

There are fundamental, institutional barriers for multimodal collaboration within the Department of Transportation, where modes are in stovepipes. These modal silos reflect similar silos in Congress and in states. The establishment of a federal freight office, and the creation of an assistant secretary position that oversees money for freight projects could stimulate structural changes including consistency in project delivery requirements. There is a clear, regulatory role for the federal government, but the Department's structure needs to change significantly to enable it to take increased ownership of freight issues. The Department may need to increase staffing to be able to take a strong role in freight policy. Additionally, the federal government should elevate the importance of freight project delivery and improve project streamlining. Finally, the Executive Branch and lawmakers should consider unintended consequences and implementation impacts in drafting legislation.

## **Workforce**

It is important to consider the needs of and needs for fostering a skilled workforce in developing policy. If the country has the best infrastructure and technology, but it doesn't provide incentives for workers to seek careers in the logistics industry, then there will be no goods movement.

## **Next Steps**

Acting Chairman Downey summarized the view held by many that "freight holds the nation together and it is essential to balance all considerations within the governmental structure." It was clear from the discussion that the legislative concepts on the table offer real promise but more thought and focused consideration of the legislative proposals will be needed to refine them. NFAC Members felt that the November 2013 visioning session was productive and suggested

that the vision, mission, goals, and strategies identified in that session should be revisited to guide the NFAC's next steps.

Also of note was the suggestion that NFAC look at existing state freight plans to identify best practices and models. Acting DFO John Drake commented that, although there is a spectrum of quality and issues covered, the Department is reviewing each plan to identify challenges and long-term goals to inform the National Freight Strategic Plan. A suggestion was made that the Department identify the two most different, high-quality plans for the Committee to consider. Acting Chair Downey requested that the Department set up a central repository online to facilitate access to the state plans that have been submitted.